

STATE OF SOUTH CAROLINA

(Caption of Case)

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

Application of Utilities Services of South Carolina, Inc. for adjustment of rates and charges for the provision of water and sewer service and modification of rate schedules.

COPY
Filed:
Dept: S.A.
Date: 8/12/10
Time: 9:55

DOCKET
NUMBER: 2005 - 217 - WS

(Please type or print)

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition

☐ Request for item to be placed on Commission's Agenda expeditiously

☒ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input checked="" type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other: _____
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other: _____	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

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August 10, 2010

VIA HAND DELIVERY

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator

Public Service Commission of South Carolina

101 Executive Center Drive
Columbia, South Carolina 29210

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2010 AUG 10 PM 1:27
SOUTH CAROLINA
PUBLIC SERVICE
COMMISSION

RE: Application of Utilities Services of South Carolina, Inc. for adjustment of rates and charges for the provision of water and sewer service and modification of rate schedules; Docket No. 2005-217-WS

Dear Ms. Boyd:

I am writing on behalf of Utilities Services of South Carolina, Inc. ("USSC" or "the Company") to respond to certain assertions contained within the Summary of Investigation of Increase in Bulk Water Charges ("Summary") filed by the South Carolina Office of Regulatory Staff ("ORS") on July 29, 2010, in the above-referenced docket. Therein, ORS correctly states that in September 2008, the City of Rock Hill ("City") increased its charge for bulk water provided to USSC which became effective October 1, 2008. USSC respectfully disagrees, however, with ORS's suggestion that USSC was afforded sufficient notice of the rate increases such that it could have provided its customers notice of the increase in the water supply charges before they were placed into effect.

USSC initially submits that ORS's assertion that the Company received sufficient notice of the rate increase at issue is contrary to ORS's previous positions taken in this docket. ORS first contends that USSC was afforded notice of the increase in rates as a result of the City's advertisement of the proposed increase in a local newspaper. As the Commission is aware, ORS previously requested, at the direction of the Commission, that the City directly notify USSC of

(Continued . . .)

such increases.¹ Although the City has, unfortunately, failed to comply with ORS's request, USSC submits that ORS's requests for direct notification would have been unnecessary had ORS believed that notice by publication was sufficient. USSC further notes that the Commission has recognized that newspaper publication of pending rate increases by public utilities under its jurisdiction is insufficient to afford customers proper notice. Rather, the Commission has long required publication of notice as well as direct distribution of notice to each of the utility's customers in rate case proceedings.² Therefore, USSC submits that it should not be held to a different standard with respect to whether adequate notice has been given that a rate increase from its bulk supplier is pending.

Similarly, ORS suggests that "any increases in bulk water rates charged by the City can easily be monitored by USSC by reviewing actual bills." USSC first reiterates its response that requiring such a process would subject the Company to a different standard than customers of public utilities subject to the Commission's jurisdiction as discussed hereinabove. However, the City's bills demonstrate that such a review would still not afford the Company with notice of any pending rate increase. As reflected in Attachment C to ORS's Summary, the bills issued by the City do not contain any notification of a pending rate increase in the bulk supply rate or otherwise. Moreover, the bills do not contain even basic rate information through which USSC could determine whether a rate increase had been implemented. Rather, because the total bulk water supply charge to the Company varies each month based on system consumption, USSC would be required to recalculate the City's bill each month to determine whether the City had increased its rates as suggested by ORS.

USSC believes that requiring such a process before the increased bulk billings could be passed through in instances where it is not given notice of an increase would not only be unduly burdensome, but would also create additional billing complications which could adversely impact customers. For example, if USSC learned of an increase in its bulk water supply rates only through a review of its bills but was precluded from passing those increased charges through until notice was issued to customers, USSC would then be required to delay recovery of those additional charges and pass them through at a later date.³ This delay in passing through the

¹ Docket No. 2005-217-W/S, Letter from Wendy Cartledge, Esq. dated November 14, 2006. *See also* Order No. 2006-603, dated October, 13, 2006, Docket No. 2005-217-W/S (requesting that ORS contact bulk water suppliers concerning the "the feasibility of providing more notice to bulk customers prior to increasing bulk water rates").

² *See, e.g.*, Docket No. 2005-217-W/S, Transmittal Letter dated August 1, 2005. *See also* 26 S.C. Code Ann. Reg. 103-817.C(3)(a) (Supp. 2009).

³ USSC submits that the purpose of its rate schedule provision pertaining to increases in bulk water charges is to notify the Commission of increases to its bulk water charges so as to afford the Commission and ORS the opportunity to determine whether the increased charges have, in fact, been implemented by the bulk water supplier. As ORS has confirmed, the City did increase its rates to the Company on October 1, 2008. Requiring USSC to incur these expenses which were not contemplated in establishing its Commission approved rate schedule and without allowing appropriate, commensurate rate relief would result in retroactive ratemaking, if not an unconstitutional taking.

bulk supply charges could subsequently result in customer confusion and increased pro rata supply charges due to the differences in the timing of consumption periods. In this regard, USSC believes that requiring such a delay would be unreasonable and unduly burdensome for both the Company and its customers.

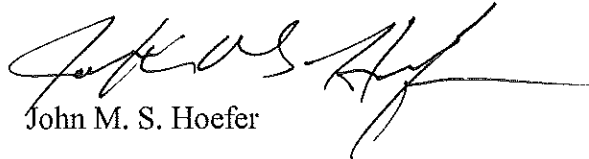
Finally, the Company also disagrees with ORS's contention that USSC has failed to comply with its approved tariff in passing through the increased charges from the City as its bulk water provider. USSC's current tariff which was approved by the Commission in Order No. 2006-22, dated January 19, 2006, in the above referenced docket specifies that the Company shall provide "written documentation of an increase by the provider of purchased water justifying the increase in the amount of purchased water charges sought to be passed-through to affected customers." As indicated by the Company in its letter to the Commission dated June 15, 2010, USSC received no written documentation of the increased rates from the City either separately or by way of a bill insert. Therefore, even had USSC learned of the increase at the time the new rates became effective, it would have been unable to comply with the specific requirement of its rate schedule in this regard.

Nevertheless, USSC recognizes that changes to its review processes of invoices from its bulk water suppliers would be beneficial for both the Company and its customers. The Company is currently revising its accounts payable procedures which will improve its ability to verify bulk bills and the rates charged therein. USSC believes that this process will not only provide a review for rate accuracy, as suggested by ORS, but will also alert the Company of bulk rate increases which have not been noticed by the suppliers. Although this process may still result in a delay in providing notice to the Commission, USSC believes that this system will enable the Company to notify the Commission and its customers of such increases in a more timely fashion.

Thank you for your consideration of this matter. If you have any questions or if you need any additional information, please do not hesitate to contact us.

Sincerely,

WILLOUGHBY & HOEFER, P.A.



John M. S. Hoefer

JH/cf

cc: Nanette S. Edwards, Esquire
Jeffrey M. Nelson, Esquire